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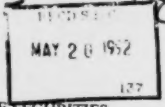

Form 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

For Quarter Ended March 31, 1992 Commission File Number 33-29236

THE CONTINUUM GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-3490803
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

380 Ludlow Ave., Cranford, New Jersey	07016
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (908) 709-0011

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

As of May 12, 1992, there were 3,706,149 shares of $.01 per value common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE CONTINUUM GROUP, INC.
[A DEVELOPMENT STAGE CORPORATION]

BALANCE SHEETS

ASSETS

	March 31, 1992 [Unaudited]	December 31, 1991
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 73,013	$ 161,748
Accounts Receivable [Net of Allowance for Returns of $1,862 and $3,671]	7,447	14,683
Miscellaneous Receivables	654	654
Inventory	74,348	15,909
Note Receivable - Stockholder	23,630	22,908
TOTAL CURRENT ASSETS	$ 179,092	$ 215,902
TALENT ADVANCES AND RECORDING COSTS	$ 215,114	$ 150,294
LESS: Provision for Unrecoupable Advances and Recording Costs	197,287	150,294
TALENT ADVANCES AND RECORDING COSTS - NET	$ 17,827	$ --
PROPERTY AND EQUIPMENT:		
Furniture and Fixtures	$ 10,821	$ 10,821
Equipment	25,367	25,367
Leasehold Improvements	10,870	10,870
Totals - At Cost	$ 47,058	$ 47,058
Less: Accumulated Depreciation and Amortization	15,023	10,526
PROPERTY AND EQUIPMENT - NET	$ 32,035	$ 36,532
OTHER ASSETS:		
Intangible Assets [Net of Accumulated Amortization of $4,120 and $687]	$ 37,120	$ 40,552
TOTAL ASSETS	$ 266,074	$ 292,986

See Notes to Financial Statements.

THE CONTINUUM GROUP, INC.
[A DEVELOPMENT STAGE CORPORATION]

BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY [DEFICIT]

	March 31, 1992 [Unaudited]	December 31, 1991
CURRENT LIABILITIES:		
Accounts Payable	$ 85,804	$ 31,316
Accrued Expenses	57,310	77,116
Accrued Expenses - Related Party	--	10,000
Loans Payable - Bank	200,000	--
Current Maturities of Capital Lease Obligations	5,833	6,141
TOTAL CURRENT LIABILITIES	$ 348,947	$ 124,573
LONG-TERM LIABILITY:		
Capital Lease Obligations	$ 4,150	$ 5,550
STOCKHOLDERS' EQUITY [DEFICIT]:		
Preferred Stock - .001 Par Value, 5,000,000 Shares Authorized, No Shares Issued and Outstanding	$ --	$ --
Common Stock - .01 Par Value, 5,000,000 Shares Authorized, 3,706,149 Shares Issued and Outstanding;	37,062	37,062
Paid-in Capital	926,222	926,222
[Deficit] - Accumulated During the Development Stage	(1,050,307)	(800,421)
TOTAL STOCKHOLDERS' EQUITY [DEFICIT]	$ (87,023)	$ 162,863
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY [DEFICIT]	$ 266,074	$ 292,986

See Notes to Financial Statements.

THE CONTINUUM GROUP, INC.
(A DEVELOPMENT STAGE CORPORATION)

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(UNAUDITED)

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Paid-in Capital	(Deficit) Accumulated During the Development Stage	Total Equity (Deficit)
BALANCE - JANUARY 1, 1992	3,706,149	$ 37,062	--	$ --	$ 926,222	$ (800,421)	$162,863
Net (Loss) for the Period	--	--	--	--	--	(249,886)	(249,886)
BALANCE - MARCH 31, 1992	3,706,149	$ 37,062	--	$ --	$ 926,222	$(1,050,307)	$(87,023)

See Notes to Financial Statements.

THE CONTINUUM GROUP, INC.
[A DEVELOPMENT STAGE CORPORATION]

STATEMENTS OF OPERATIONS

	Cumulative During Development Stage June 14, 1989 [Date of Inception] Through March 31, 1992 [Unaudited]	Three months ended March 31, 1992 [Unaudited]	March 31, 1991 [Unaudited]
REVENUE	$ 269,111	$ 11,733	$ 6,190
LESS: Returns and Allowances	(47,011)	(3,724)	(1,082)
NET REVENUE	$ 222,100	$ 8,009	$ 5,108
COST OF REVENUE	364,704	22,767	8,396
GROSS [LOSS]	$ (142,604)	$ (14,758)	$ (3,288)
OPERATING EXPENSES:			
Talent Advances and Recording Costs	$ 197,287	$ 46,993	$ 7,567
Advertising and Promotion Expenses	66,169	9,342	1,699
General and Administrative Expenses	622,552	177,357	31,095
TOTAL OPERATING EXPENSES	$ 886,008	$ 233,692	$ 40,361
OPERATING [LOSS]	($1,028,612)	$ (248,450)	$ (43,649)
OTHER [EXPENSE] INCOME:			
Interest Expense	$ (27,404)	$ (2,564)	$ (6,870)
Interest Income	5,709	1,128	822
OTHER [EXPENSE] - NET	$ (21,695)	$ (1,436)	$ (6,048)
[LOSS] BEFORE PROVISION FOR INCOME TAXES	($1,050,307)	$ (249,886)	$ (49,697)
PROVISION FOR INCOME TAX	--	--	--
NET [LOSS]	($1,050,307)	$ (249,886)	$ (49,697)
[LOSS] PER SHARE		$ (.07)	$ (.01)
WEIGHTED AVERAGE SHARES		3,706,149	3,706,149

See Notes to Financial Statements.

THE CONTINUUM GROUP, INC.

[A DEVELOPMENT STAGE CORPORATION]

STATEMENTS OF CASH FLOWS

	Cumulative During Development Stage June 14, 1989 [Date of Inception] Through March 31, 1992 [Unaudited]	Three months ended March 31, 1992 [Unaudited]	March 31, 1991 [Unaudited]
NET CASH - OPERATING ACTIVITIES	$ (778,328)	$ (222,208)	$ (44,020)
INVESTING ACTIVITIES:			
Capital Expenditures	$ (35,277)	$ --	$ --
Talent Advances and Recording Costs	(184,070)	(64,820)	(15,000)
Acquisition of Assets and Liabilities - BNM - Net of Cash Acquired	(51,871)	--	--
Merger with MTG Capital Corp.	425,000	--	--
Merger with Major Scale Productions - Net of Cash Acquired	1,240	--	--
NET CASH - INVESTING ACTIVITIES	$ 155,022	$ (64,820)	$ (15,000)
FINANCING ACTIVITIES:			
Proceeds from Loan Payable - Related Parties	$ 183,300	$ --	$ --
Proceeds from Loan Payable	150,000	--	150,000
Proceeds from Note Payable - Bank	200,000	200,000	--
Repayment of Loans from Related Parties	(83,300)	--	--
Repayment of Loans Payable	(50,000)	--	--
Proceeds from Issuance of Stock	300,000	--	--
Principal Payments - Capital Leases	(3,681)	(1,707)	--
NET CASH - FINANCING ACTIVITIES	$ 696,319	$ 198,293	$ 150,000
NET [DECREASE] INCREASE IN CASH	$ 73,013	$ (88,735)	$ 90,980
CASH - BEGINNING OF PERIODS	--	161,748	5,411
CASH - END OF PERIODS	$ 73,013	$ 73,013	$ 96,391

See Notes to Financial Statements.

THE CONTINUUM GROUP, INC.
[A DEVELOPMENT STAGE CORPORATION]
NOTES TO FINANCIAL STATEMENTS

[1] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the opinion of management, the accompanying unaudited financial statements included in this Form 10-Q reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 1991.

Organization - The Company was incorporated in the State of New Jersey in June, 1989. Prior to incorporation, the Company conducted business as a partnership. The Company is engaged in the sale and distribution of recording materials and has been in the development stage since inception in June, 1989 due to the fact that it has not experienced any significant sales. Through December 9, 1991, the Company operated under the name Continuum Recording Corp. On that date, the Company merged with a MTG Capital Corp. a public shell corporation, incorporated in Delaware and changed the name of the combined entity to The Continuum Group, Inc.

Inventories - Inventories are stated at the lower of cost [on the first-in, first-out method] or market and consist principally of finished goods.

Talent Advances and Recording Costs - The Company initially capitalizes certain costs which are specified by the contracts as recoverable from future royalties. The recording agreements with the artists state that these costs shall be considered advances and charged against and recouped from royalties due the artist. However, any such advances not so recouped, are not otherwise refundable by the artists or anyone else. Accordingly, the Company bears the entire risk of loss if the promotion of an artist's release is not successful. The Company is accounting for these costs in accordance with Statement of Financial Accounting Standards No. 50, "Financial Reporting in the Record and Music Industry."

Since the Company's talent advances and recording costs are principally to new and unproven artists who have no history of past performance and current popularity, the Company has charged all of these costs incurred in 1991 to operations. The amount of talent advances and recording costs charged to operations was $46,993, $7,567 and $197,287 for the periods ending March 31, 1992 and 1991 and the cumulative period ended March 31, 1992, respectively.

[Loss] Per Share - Loss per share of common stock is based on weighted average number of common shares outstanding for all periods presented, after adjustment for the shares issued in the business combination.

. . . . . .

Item 7.

THE CONTINUUM GROUP, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Three Months ended March 31, 1992 Compared with Three Months ended March 31, 1991.

During the three months ended March 31, 1992 as was the case in 1991, the Company was in the development stage and as such did not earn any significant revenue from operations.

The Company's net loss increased to $249,886 in 1992 as compared to $49,697 in 1991. The Company anticipates that significant losses could continue in connection with its acquisition, production and promotion of recorded music unless the Company is able to generate sufficient revenues from sales of its products.

The Company incurred significant expense in its search for and promotion of new artists. The Company wrote-off $46,993 and $7,567 during the three months ended March 31, 1992 and 1991, respectively of advances and costs related to artists which the Company felt would not be recoverable from future record sales.

General and administrative expenses and advertising and promotion expenses increased to $186,699 from $32,794 for the three months ended March 31, 1992 and 1991, respectively. The increase is due to increased cost of overhead and personnel which arose from the acquisition of the BNM Companies and additional costs incurred to sign and begin to promote Charlie Watts and various other artists.

Interest expense decreased to $2,564 from $6,870 for the three months ended March 31, 1992 and 1991, respectively due to the advances made to the Company by various individuals in early 1991 who converted a large part of the debt to equity during the latter part of 1991.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital [deficit] of $169,855 at March 31, 1992. The Company incurred a net loss of $249,886 for the three months ended March 31, 1992 and has experienced $1,050,307 in losses since inception. These losses and the lack of significant revenues have raised substantial doubt as to the ability of the Company to continue as a going concern. On December 9, 1991, the Company merged with MTG Capital Corp., a publicly held shell corporation, which provided approximately $425,000 of working capital. The Company is currently pursuing other avenues to obtain additional working capital. In early 1992, it obtained a $200,000 line-of-credit which is guaranteed by a stockholder of the Company. In April 1991, the Company obtained a $100,000 term loan from an affiliate of a stockholder of the Company, which will be utilized for working capital purposes. The Company is also aggressively pursuing additional equity financing. However, there can be no assurance that the Company will be able to complete any such financing.

PART II. OTHER INFORMATION

Item 6: Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K

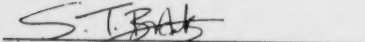
(i) Current report on Form 8-K [filed with SEC January 16, 1992] reporting item number 4.

(ii) Current report on Form 8-K [filed with SEC March 13, 1992] reporting item number 8.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CONTINUUM GROUP, INC.
(Registrant)

Harrison Weaver,
Chief Executive Officer



Simon T. Brack,
Principal Financial Officer

DATE: May 18, 1992